

*Rob Sandoli:*

Good afternoon everybody. I'm Rob Sandoli. I'm gonna begin the presentation and Cindy's gonna take over about halfway through. But I want everyone to feel free to jump in at any point in time. If you have questions, we're happy to answer it throughout the presentation. We should finish well in advance of our time as well, so there'll be plenty of time at the end if you want to hold your questions till then. But either way is fine with us.

So let me set the structure for what we're gonna talk about here. We're gonna give you an overview on the opportunity and policy in terms of energy and kind of set the overall framework. We'll talk specifically about the scorecard structure and the process for rating agency performance. We're gonna give you some results to date, courtesy of FEMP and their team on compiling all the agency data.

Then we'll talk about scorecard updates for 2009. We update the scorecards each year to reflect the new policy requirements as they kick in. We'll talk about the status of some select guidance documents, not all of them. There's a ton out there. But some of the key ones. We'll talk about the Presidential Energy Awards. And finally at the end, and like I said throughout, your questions and advice. We're looking for your input and feedback on the scorecard process as well. So we really look forward to that.

So a little bit about the federal government and US energy consumption. So we consume about 100 quads per year. And the government is more than 1 percent of that. And spend 14 ½ billion dollars. This may be 2006 data, I'm not sure. But either way, the point is it's a big number. And there's a lot of opportunity there, both in vehicle efficiency as you see down below. Sixty percent of the energy consumption is in that area. As well as in buildings. And we're gonna focus on buildings for this presentation.

Also, we'll be talking tomorrow morning on transportation as well. We'll be joining the transportation session and talking a little bit about the transportation scorecards if you guys want to sit on that as well.

Okay. Select energy policy requirements. This slide didn't turn out to look the way I wanted it to. But let me just walk through piece by piece. I want to talk about some of the main energy policy requirements that are really incorporated into the scorecard. And talk about the drivers for those, because there's overlapping drivers, both in legislation and in the executive order.

As everyone knows, you have to reduce energy intensity by 3 percent annually using the 2003 baseline, and 30 percent by 2015. Those are goals of Executive Order 13423 that were then codified in the Energy Independence and Security Act of 2007.

The renewable energy requirement of 3 percent for the first three years, beginning in '07, and then stepping up to 5 and 7 percent were included in the Energy Policy Act of 2005. The use of new renewable energy, which is defined as energy placed in service beginning in 1999, is a requirement from the executive order. And 50 percent of your renewable energy requirement must come from new renewable sources according to this executive order. There's a whole session that Anne Crawley's giving tomorrow on the renewable energy guidance. And if you have a lot of specific questions on that particular piece and how to meet it, Anne will be happy to answer your questions tomorrow on that.

EPAct 2005 also required agencies to meter their facilities by 2012. The executive order required agencies to reduce water consumption by 2 percent per year. And EPAct required agencies to design new buildings to be 30 percent more efficient than the relevant standard, ASHRAE or – what is it? IECC standard. Depending on the building type.

So I realize that this slide is a mix of executive order and policy requirements, but it's structured this way because this actually follows our scorecard requirements. This is what we're tracking the agencies and their performance of.

So let me talk a little bit more about that. First, let me talk about the – step back about the scorecard process and why we do what we do. Our deputy director for management at OMB, Clay Johnson, often says this or uses this slide. That achieving success requires a clear definition for what success is, a clear action plan for achieving it and a system of accountability.

And so the clear definitions of success are the goals that we've already set in executive order and through legislation. And the plan of action and the system of accountability is really the scorecard process and the designation of senior officials, the assistant secretaries at your agencies that are responsible. And their names are on these scorecards, and their performance evaluations are tied to how your agency does in these particular areas on energy management.

So we have this process in place. We've put it in place about two years ago. And by all accounts it's got the agency's attention and the senior official's attention. So managing for results in this way seems to work. So our scorecard process is relatively simple, but it, as I mentioned, it does seem to work and we're getting results from the agencies. Not that we weren't before, but we've got a target, the agencies focused on the specific requirements, and they're really working to meet those goals and generally meeting those goals.

So what does a scorecard deliver? It delivers a very simple way to rate agencies. In this case we're talking about energy management. We have three sets of scorecards. Energy management, transportation management, and environmental stewardship. And they all generally follow this scoring or rating system. And as you might expect, there's two sets of ratings. One for status and one for progress. Your status score, if you're green you've met all the standards for success, which I'll review on the next slide. Yellow is kind of intermediate level, and red is that you didn't meet a minimum performance requirement in at least one area.

And progress scores are based on specific milestones that the agencies set out in consultation with DOE, and then with OMB. And the red, yellow and green scores or ratings reflect how well the agencies did in meeting those milestones on a six month cycle.

*Cynthia Vallina:* Can I just add?

*Rob Sandoli:* Sure.

*Cynthia Vallina:* We're still getting comments two years later from agencies. And I just want to reiterate that if you're red on any one of the five or six metrics that are on any of the scorecards you stay red. And the same for yellow and green. If you're yellow on even one and green on the all others, you stay yellow until you're green on all five metrics or six. Whatever's on that scorecard. And agencies are still asking questions sometimes about that. And that's just the way the President's Management Agenda, you know developed these scorecards and the purpose is so you don't ignore an area that's really hard to achieve just to get the other ones done.

*Rob Sandoli:* Thanks. So this slide kind of reiterates what Cindy just said. And the red, yellow, and green scores are based on the lowest common denominator approach. As Cindy said, if you're red in any one area in status, your entire status score is red. And that makes the agencies focus with laser like attention on the specific

requirements that they're not meeting to get that red up to yellow or green.

So each agency is assessed twice annually – January and July. And we release these scorecards at meetings of senior officials, which are assistant secretary level folks at all the major federal agencies. Typically around 20 agencies or so. The 15 cabinet agencies and then a few other large energy using agencies.

As I mentioned, there's two rating areas – status and progress. The five specific areas I'll talk about in a minute here based on both the statutory and executive order requirements. And as I mentioned, the progress scores are based on the milestones, the specific action items that agencies said they were going to complete in the last six months. And we assess whether or not they did those or partially did those.

So here are the standards for success. Again, I've highlighted the key areas that we're measuring here, and they match specifically with the policy goals that I presented several slides ago. This is directly from the scorecards. So we're measuring energy intensity in goal, subject facilities, non-exempt facilities. We're measuring renewable energy consumption too, meeting that with 3 percent and also 1 ½ percent coming from new renewable sources. That's after 1999.

The metering plan, which is that agencies have to have metering in place by 2012. And we're measuring progress along that path. Water consumption, which is an executive order requirement. Agencies were supposed to set their baselines in 2007 and now begin reducing consumption 2 percent per year. And finally, the building designs piece, which is the 30 percent – new buildings must be designed to be 30 percent more efficient. So those are the five areas on the status side of the scorecard that we're assessing agencies against.

I understand there are many new requirements in EISA. And to me they're mostly process oriented, and they're really assessing whether or not agencies are using various tools to achieve these goals. But for now we're keeping the scorecard focused on these specific goals, because the others are just tools to get you to energy reduction and renewable requirement.

So the 2008 scorecards are based on 2007 performance. So reporting is on the fiscal year cycle. So the agencies' fiscal year ends September 30. They report to DOE by January 1. And that

data is used to update the status slide for the January 2008 scorecard. And that status score stays constant for the July timeframe. So we only collect agency data one time per year to coincide with your regular reporting to FEMP as you've been doing for the past 30 years. The status score – the progress score is updated twice annually.

Do appropriate facilities have to be metered by 2012? Yes. That's a statutory requirement. Again, there's going to be a renewable energy session tomorrow morning. But chances are if it's counting towards meeting a renewable portfolio standard, we can't double count the renewable energy credits.

Okay, so the process for updating the progress on the scorecards. So the point to drive home here is that agencies are really responsible for identifying, at least initially, the key milestones that will help them improve on their status scores. So it's up to agencies first to propose to DOE what milestones they're going to achieve in the next six months. Usually there are three to six specific milestones in a six month period.

So agencies report to DOE whether or not they met the last six month's requirements. And they propose new milestones for the next rating period. And DOE goes back and verifies and consults with the agencies on whether or not they've achieved those milestones. And sometimes there could be some that we do government wide – a single milestone that's on every agency's scorecard. If there's a big deadline coming up that's statutory, for example.

And then OMB, Cindy and I, will review the final scorecards and work with the DOE and the agencies if there are any issues. And issue the final scorecards twice a year.

Tips for meaningful milestones. This would really help Cindy and me out. When we review the scorecards, we're always looking for things that are very specific and actionable and, where possible, quantitative. Lots of times if we're not familiar with your facilities or the bureaus or sub agencies that are committing to take certain actions, as a cold reader coming into the scorecard, we need to be able to assess whether or not these are really meaningful and the agency is really going to make some significant progress towards achieving their goals.

So we'd like milestones that are quantitative. If there are any agency specific acronyms that aren't kind of general knowledge, I

mean you don't have to spell out ESPCs, but anything that's agency specific we might not know would be helpful to spell those out.

We always like milestones to begin with verbs. What are you going to do? Very action oriented and commit to results within that six month time frame.

When you start an action item with words like work with or begin, start, initiate, and continue. As someone responsible for assessing whether or not agencies completed that action item, it's very difficult to say whether you continued or not. You want to try and break down anything that's going to take more than six months into meaningful steps and stopping points and milestones that we know the action's going to be completed within that six month period. And that helps DOE go back and verify that those actions have been taken. And helps us understand what those actions were and whether or not they were taken.

*Cynthia Vallina:* Well, I was also going to add, just if you have a lot of bureaus or you're DOD and have all the services, we'd prefer agency wide milestones. Unless that specific thing will get you to the, you know to meeting a metric or something. But we don't like to normally see that one component of an organization is going to do something.

*Rob Sandoli:* That's an excellent point. Lots of times it seems like the compilation of these are, and I understand this is how it happens in the agencies – a lot of the bureaus act independently or kind of their own management structures and roll up. But the whole point of having one single person on the scorecard who's, whether it's Office of Administration or whomever, as an assistant secretary level person is, that person's responsible for oversight over all the various bureaus. So when we see milestones, we want to see something that lets us know that the bureaus are all, everyone's kind of coordinating, acting as one. Even if it's one particular bureau committing to something specific and it's a large bureau, to us it's all one agency. The agency gets the score, not the various sub-bureaus. So thanks, Cindy for making that point.

And again, if you're not going to complete a meaningful milestone within six months then try to break it down to something that's verifiable. And provide a percent completion. You know we'll get halfway there. And if DOE can verify that then that helps too.

Okay, now I'm going to turn it over to Cindy to talk about some results to date that are based on FEMP's compilation of all of your data.

*Cynthia Vallina:*

These are the scorecards scores that agencies received last week at the senior officials meeting that we had on Thursday at the White House. And as we said, we only do a progress assessment in July. So these status scores that are on here are the same as they were in January. They have not changed. And the progress scores are what we updated. And from here, 19 of the 22 agencies achieved green on progress on the energy scorecard. Both DHS and Justice improved from yellow to green for this rating period. We still have two yellow agencies.

And the reason you see no colors on Smithsonian and Social Security is because this was the first rating period for them on the energy scorecard. They were getting transportation and environmental stewardship ones previously but not the energy one. And they asked us to start scoring them on these initiatives because they thought it would help them manage and do a better job. So they obviously work if agencies were asking for them. And they feel that the processes we put in place and the milestones that are identified, often by OFEE or DOE for six month periods, will help them get their job done.

This is comparing the progress scores from January to July. As you see in January we had – oh this is just status and – we had 14 of 22 agencies green on status for energy. Energy is the greenest of the scorecards. And we had 19 of 22 on progress green this time.

And, you know we talked about the 2007 performance, which was what we scored on the 2008 scorecard. And on the individual goals that we pointed out. And these are the results. That 21 of the 22 covered agencies exceeded the 3 percent annual reduction for 2007. And the only one who didn't is a very, very small agency that probably most of you have never heard of. But they do report so we do include them. But all the major cabinets and departments did meet the 3 percent reduction. I'm sorry. Six percent reduction since 2003.

On the renewable energy 3 percent purchasing, 17 of the 22 agencies met the goal. And the government as a whole had purchased the equivalent of 4.9 percent of their electricity use with renewables.

On water efficiency, for 2007 the executive order just required agencies to develop their baseline that they will then use to reduce 2 percent in the future years. And from that we found out that the government used 164 billion gallons of water in 2007. And the average use is 53.5 gallons per square foot. And I would like to also note that for this measure we are using the same framework as we did for the energy reduction goals. It's intensity per square foot.

This chart was included in the president's budget this year taking credit for the reductions that we've had to date. And as you can see there's two different metrics there. What we achieved with and without the bonus credits for renewable energy purchases. And we did meet the 6 percent goal. And if you include the bonus credits we're up to 11.4 percent reduction for 2007. And then obviously the dotted line is just showing where we need to get by 2015.

This is an agency by agency comparison of the reduction in energy intensity. And the orange line is what they did through efficiency. And the green, the additional, is what they got credit for with the renewable energy purchases. And as you can see from that dotted line, hopefully you can see that green dotted line right through 6 percent. And you can see who is meeting the goal with or without the credits.

Credits are being phased out through 2011. And so if you're in an agency like GSA or VA or the Railroad Retirement Board, which is the one at the bottom there, through the credits, then you're going to have to really up your efficiency efforts by, you know phase them up or increase them so that by 2011, 2012 you're not depending on those credits to meet the efficiency goals.

This one is – it gets confusing. Basically the Congressional mandate is that you hit 3, 5 and 7 ½ percent of your total electricity purchases for renewable energy. And the dark green versus the light green is what's new versus old credits. And what the executive order did was it said, of that 3, 5 and 7 percent, half of it has to be derived from new. So it took a lot of finagling on the reporting and on the scorecard to track that, but we are doing that. And this shows you, as you can see the light green is the new. So a lot of agencies are meeting the goal, both the 3 percent statutory goal and the executive order goal that half of it be new. And that steps up, that 5 percent steps up in 2009. Fiscal year 2009.

And this is the agency by agency spread of renewable energy use and how they're doing against their total percentage of electricity use.



Okay. There's been a lot of talk about ESPCs and how to get the investment level needed to meet the goals – 3 percent a year, 30 percent by 2015. And this is a DOE slide on what our historic investment has been. The red at the bottom is direct appropriations in total for all agencies. The yellow line is what we've been doing with UESCs. And the green is ESPC. And this 2008 potential is – that green line is what's in the pipeline. Not necessarily what we have already done. And the 140 for UESCs in that is an estimate. It's not what we have done. And the 385, we know what agencies we received.

*Rob Sandoli:*

We haven't reviewed all the calculations. We don't want to disagree with DOE. But we know that there's still a lot of low hanging fruit out there. Certainly we need investments. But we recognize that we've met the goals for 2006 and 2007 with the levels of investment that you see up there. So we've achieved the 3 percent with those levels of investment and it may get more difficult in the future, but we do know that there are lots of low cost and no cost options out there. And so either way we want to see more investment, but we also want to see good sound investment and good return for the tax payer dollars because that's our job at OMB.

*Cynthia Vallina:*

Right, because the status goal is your reduction in energy intensity, not how much you invest.

So now we're going to go into the 2009 scorecard update. What that means is for the end of this fiscal year, 2008 fiscal year, these are what we're going to put on the January 2009 scorecard to have achieved by the end of fiscal year 2008. And we finalized this. It went out for comment. We'll talk about it. But these are the changes on the energy scorecard from the 2008 to the 2009 assessment or what you accomplished in FY 2008 compared to FY 2007.

So the green energy intensity goal now ups from 6 percent since 2003 to 9 percent since 2003. And we hope that, you know all the agencies, like I said, 21 of 22 met it last year. We hope that trend continues in FY 2008. And to achieve the yellow milestone or the yellow score on there you have to go from 4 percent to 7 percent. And that's because everybody met the 6 percent so we figure we better up it a little bit more than it was.

And for renewable energy there's no change on the scoring. We got that right last year. And the new 5 percent doesn't kick in till fiscal year 2009. So that stayed the same.

On metering we were tracking the milestone by saying, as long as you – if you submitted a plan and you're in compliance with your plan, then you can be green. And as long as you have a plan in place you're yellow. And we said, "We're getting too close to that 2012 deadline where everybody has to be metered." So we upped that to a percentage goal. And we did look at the – we were trying to go to 20 percent, and we got a lot of comments from agencies on that. So we lowered it to 5 percent for yellow and 10 percent for green. And let people know that for fiscal year – for the next year, 2010's scorecard or fiscal year 2009 progress, we're expecting 25 percent. That at least 25 percent of your appropriate facilities be metered.

And the reason for that was even though DOE in its guidance documents asked people to come up with a plan for percentage metered, you know from – I think the plans were submitted in '06 through 2012. Some agencies didn't do it. And we were afraid we'd get too close to the deadline and, you know have to put out a lot of funding for un-metered places. And just remember, you can also get metering through ESPCs, UESCs. I don't think a lot of folks have been talking about that today. But it is a way to get your facilities metered.

On water, this is – we changed it from just having a baseline to a 2 percent reduction for green, which is what is required by the executive order. And for yellow, you have to have at least some reduction. More than 0. And you have to have your final baseline set. Cause a lot of them – everybody submitted a baseline. But some of them were still tweaking them, even as late as the spring.

And on the 30 percent building designs there was no change to that metric either for next year.

*Rob Sandoli:* Cindy, can I comment on that.

*Cynthia Vallina:* Sure. Go ahead.

*Rob Sandoli:* Okay. Just to – on these scorecard changes. I want to thank everyone, all the agencies that submitted comments. And we want to let you know that we do hear you and we value your input, because you can let us know what's happening in the field. Just to give it some summary stats. We got 13 comments from four

different agencies. Of those comments about eight were unique comments. Some were overlapping. And we accepted four of those comments and made changes to our draft scorecard to about half of the changes we accepted. And the most significant one being the metering plan, which we stepped down from 20 percent to 10 percent. Recognizing that the agencies are going to have trouble meeting this. So we listened to you and we value your input. So thanks for your comments.

*Cynthia Vallina:*

Yeah. And I think it's more relevant to transportation, so we'll talk about it there. But there were a couple of comments where we said, "Well, we can't change it because the fiscal year 2008 is almost over." But we will think about them. Look at what we get on this scorecard round and then consider changes for the next year.

Okay. Next, we want to talk about guidance documents. And like he said, we can't cover them all because that would be – we'd be here an hour just for that. But we wanted to cover some of the ones that we're either waiting to review or have reviewed and would like to see get out soon if we can. And which ones have already gotten out.

And the renewable energy guidance, which Anne's talking about in the next room apparently, was issued at the end of January. And it's a lot of stuff in there. But one of the most significant things, I think that we changed at the last minute that people might not know about from earlier drafts, was to include geothermal in the definition. It wasn't in a prior draft, but it did end up in the final.

The water baseline guidance was issued in March by DOE. Both of these two were issued by DOE. And the FRPC guidance was just issued June 23, 2008. And that is the Federal Real Property Council's guidance on inventory reporting. And I'm going to go into that in a little more detail after this slide. So I'll get into that.

Just on Thursday last week at the senior officials meeting we released the high performance sustainable buildings update to the guiding principles. And that is the ISWG, the Interagency Sustainability Working Group, developed changes. What they did was they updated the guiding principles for new buildings to include some new requirements from EISA 2007 or from, I think mostly from that – and new statutory requirements. And then they also updated the guiding principles they felt were geared towards new construction. So they kind of tweaked them to apply to existing buildings and leases. And so there are two sets of guiding principles there now.

And we also address how agencies need to report on whether or not their buildings are sustainable and can count towards that 15 percent goal of the executive order. And that went out to all agencies on Thursday with comments on it due by August 15. And then hopefully, depending on the number and level of comments that we receive, we'll try to get it out to agencies probably end of the month or September. And that – and then the reporting on this is open from September 15 until December 15.

On EPO section 104, this is from EPO 2005, there was a requirement that agencies purchase energy efficient products to the exclusion of those that are non-energy efficient. In fact, it directs that GSA or DLA, if they're selling competing products that aren't energy efficient they need to take them out, not offer them. And DOE again, issued a notice of proposed rulemaking. I can't remember when. But they're working on the final rule right now. And it's in DOE internal review and we're hoping that it'll come to OMB's office of information regulatory affairs soon for final clearance.

The EPO section 109, there was two parts to that. The first part covered the all new construction demanding that design for construction be 30 percent more energy efficient. That rulemaking went out back in January of '07. But there was a second part that directed DOE to issue guidance on sustainable buildings. And that rule is still pending. And it's still being developed I think within DOE.

I know there have been multiple sessions today on this, but these are the five guiding principles. And the last part says, yeah, it applies to new, existing and lease space that they apply. And that guidance that I talk about that it's out for review through August 14 addresses all of these areas both for new and then for existing and leased space.

And the new thing is that we – when the executive order came out it said that we should coordinate with the Real Property executive order, which has a system, an inventory reporting system that GSA manages where agencies report on every one of their assets, buildings, land and other structures. And there's lots of – there's hundreds of thousands of assets in that database.

And for each one of those, agencies have been reporting for the last couple of years. That guidance that includes that language and how agencies are supposed to report is on these websites. And it

can be used in conjunction with this new guidance on guiding principles. So if you use the two together you'll be able to figure out what buildings to report and how to report them.

*Rob Sandoli:*

Okay. Just one quick slide for those of you not familiar with the Presidential Energy Awards. These are awards conducted annually. They began with the predecessor Executive Order 13123, which was signed in 1999. We did the first awards ceremony in 2000. We've been doing them annually ever since. Typically in October. And the schedule for these Presidential Energy Awards is shown here.

We typically send out a call for nominations in January or February. The nominations are due in May. DOE does some evaluation and then a small group gets together for – to do the final evaluation and vetting in the summer. And as I mentioned, we do the final ceremony in October. These awards are focused on crosscutting interagency teams. Ideally they reflect the procurement, the budget, facility managers, a real crosscut of an agency that can demonstrate that they've achieved real results in one of four areas or all four areas ideally.

Those are implementation, which is how well you used all the various tools out there - whether it's ESPCs or buying energy efficiency products, or simple low cost, no cost energy education campaigns that are delivering results. So there's an implementation element that we evaluate.

Institutionalization. If there's one particular base or a facility or bureau that's achieved some results and that the senior management has recognized that and institutionalized it across the entire agency. That's something we look for when we evaluate institutionalization.

Outreach is whether or not you're reaching out– whether it's within your particular agency or to the local community or the general public. How well you do that and what outreach campaigns you've implemented.

And finally, your net results. What are your energy savings? What are your cost savings? Whether it's across the entire agency or some large bureau or a functional unit of your agency.

So those are the Energy Awards. We want to encourage agencies to apply. And we encourage agencies to submit their nominations where they specifically address each of these four elements. And

each year, for those of you who have been to it, we conduct the ceremony, which is great. It's at the White House. Usually at the old executive office building. And usually attended by very senior administration officials. And it is a high honor. There are very few awards given. And we'd like to keep it that way. It's really reserved for the agencies that do the best. And we know there's so much good work being done out there, we just really encourage you guys to apply for these awards so you can get the proper recognition for the work that you do.

*[End of Audio]*